

DAVID IGE
GOVERNOR



CATHERINE PAYNE
CHAIRPERSON

STATE OF HAWAII
STATE PUBLIC CHARTER SCHOOL COMMISSION
(‘AHA KULA HO‘ĀMANA)

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FOR: HB 1251 Relating to Public Charter Schools
DATE: Monday, February 9, 2015
TIME: 2:00 p.m.
COMMITTEE(S): House Committee on Education
ROOM: Conference Room 309
FROM: Tom Hutton, Executive Director
State Public Charter School Commission

Chair Takumi, Vice Chair Ohno, and members of the Committee:

The State Public Charter School Commission ("Commission") appreciates the opportunity to submit this testimony in support of House Bill 49, "Relating to Education," House Bill 232, "Relating to Facilities Funding for Charter Schools," House Bill 233, "Relating to Charter Schools," and House Bill 1251, "Relating to Public Charter Schools," each of which would provide much needed facilities support for charter schools.

The need to address facilities costs for start-up charter schools is arguably the greatest unaddressed challenge for Hawaii's chartering system. Currently, start-up charter schools must pay for the costs of their facilities from out of their already stretched operational funds.

We note that, as in past years, the Commission this year submitted proposed Capital Improvement Projects ("CIP") as submitted from charter schools. The Commission has been instructed that eligibility for these requests is limited to start-up charter schools located on state land. These projects are not recommended for approval in the executive budget. If charter school CIP projects are not to be considered, in the Commission's view it is all the more important that other means of providing at least some support for the charter schools' facilities needs be considered.

House Bills 49, 232, and 233 are proposals reintroduced from the 2014 Legislative Session that would provide to support charter school facilities needs. HB 49 would establish a charter school facilities fund and a state income tax credit for taxpayers who make contributions to the

development of charter school facilities, and authorize the use of funds not only to fund projects but also to secure loans from private lending institutions for financially stable charter schools.

HB 232 would simply make a general fund appropriation for charter school facilities needs, based in part on charter school need and performance. HB 233 would authorize the Commission to request the issuance of general obligation bonds from the Director of Finance and establish a charter school facilities funding working group, including the Director of Finance and the Chairs of the Senate Committee on Ways and Means and the House Committee on Finance, to determine criteria for and to prioritize the allocation of funds to the schools. We believe these proposals, which result from discussions of the informal interagency working group on charter school funding convened by then Senate Committee on Education Chair and current Senate Committee on Ways and Means Chair Jill Tokuda after the 2013 Legislative Session, merit the Legislature's continued consideration.

HB 1251, a new proposal introduced this Session on behalf of the Hawaii Public Charter Schools Network, combines several components of these other measures and also merits the Legislature's consideration. Among other things, this bill would establish a charter school facilities funding working group similar to that contemplated by HB 233 but instead have the Commission determine criteria for and prioritize the allocation of funds; would authorize the issuance of general obligation bonds; would appropriate general funds for charter school facilities design, planning, construction, repair, and maintenance; and would require state departments to identify unused properties that may be suitable for use by a charter school or a pre-plus program.

This past Friday, the Department of the Attorney General noted several legal concerns with respect to certain provisions that are included in HB 233 and HB 1251. The Commission is prepared to work with the Department and the Committee to address these concerns so that these measures can advance.

Finally, the Commission acknowledges the State's fiscal challenges. Nevertheless, we remain hopeful that among the various proposals currently in motion in the Legislature, a way can finally be found to make a start in addressing this longstanding problem.

Thank you for the opportunity to provide this testimony.

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON EDUCATION
ON
HOUSE BILL NO. 1251

February 9, 2015

RELATING TO PUBLIC CHARTER SCHOOLS

House Bill No. 1251 proposes to amend Section 302D, HRS, to allow the use of vacant departmental facilities for charter schools or pre-plus programs; make appropriations starting in FY 2017 to assist the State Public Charter School Commission with its facilities funding needs; establishes the "Charter School Facilities Funding Working Group"; provides unspecified general fund appropriations for charter school facilities funding; and authorizes the Director of Finance to issue unspecified general obligation (G.O.) bond funds for this purpose.

The Department of Budget and Finance would like to make several technical comments on this bill with respect to G.O. bond funding for charter schools. First, charter schools already have the ability to request capital funding as part of the budget process through the proposed charter school programs budget submittal. The availability of G.O. bonds and/or funds for capital projects is competitive across all programs of the State - including, the Department of Education, the Hawaii State Public Library System and the University of Hawaii, and every other program in the State.

Second, in determining the appropriateness of providing G.O. bonds to any charter school, the Legislature should consider the following factors with respect to startup charter schools: a) suitable site control arrangements of property occupancy

that is consistent with the duration of long-term debt; b) disposition of buildings and land back to State ownership should a public charter school discontinue its operations; and c) the major financial commitment of funding capital improvements for start-up public charter schools as well as the recurring repair and maintenance costs associated with these facilities.

Third, federal tax law requires that tax-exempt G.O. bond proceeds be used only to finance projects that serve public purposes. Consequently, charter schools would need to ensure no private activity use of general bond funded facilities.

Finally, as funding for these projects is not included in the proposed Executive Budget, an amount for the corresponding annual debt service will need to be included in the Legislature's version of the budget should this bill pass the Legislature.



HB1251
RELATING TO PUBLIC CHARTER SCHOOLS
House Committee on Education

February 9, 2015

2:00 p.m.

Room 309

The Administration of the Office of Hawaiian Affairs (OHA) will recommend to the Board of Trustees a position of **SUPPORT WITH AMENDMENTS** for HB1251, which seeks to alleviate the unique financial burdens borne by start-up public charter schools, in meeting their facilities needs.

Meeting start-up charter schools' facilities needs is arguably the single greatest unaddressed challenge for Hawai'i's public charter schools. Currently, start-up charter schools must pay for the costs of their facilities using their already-stretched operational funds. This is a cost that is not borne by conversion charter schools, or schools under the Hawai'i State Department of Education. To address this disparity, HB1251 makes certain proposals relating to the potential use of vacant state facilities by public charter schools. OHA believes that this innovative approach has the potential to relieve some of the significant financial burdens felt by start-up public charter schools.

While OHA supports HB1251, we recommend that HB1251 be amended to help better realize the benefits of this measure.

First, we recommend that HB1251 be amended to require that state departments give express notice to the State Public Charter School Commission and to the Executive Office on Early Learning, when a vacant state facility becomes available. As currently written, HB1251 is silent as to any notice mechanism. Accordingly, OHA recommends amending the language on page 2, lines 13-14, to read as follows:

(b) Each department shall identify to the state public charter school commission and the executive office of early learning suitable unused facilities that may be appropriate for:

Second, we recommend that HB1251 be amended to require that the State Public Charter School Commission affirmatively solicit applications for the use of vacant state facilities from public charter schools, consistent with the affirmative obligation placed on the Executive Office on Early Learning with respect to pre-plus programs. Accordingly, OHA recommends amending the language on page 3, lines 9-15, to read as follows:

(e) Upon receipt of a notice pursuant to subsection (b), the state public charter school commission and the executive office on early learning shall each solicit applications from public charter schools and pre plus programs, respectively, which are interested in using and occupying all or portions of the facilities, and shall each submit a prioritized list of charter schools and pre-plus programs to the department of education for final determination of which charter school or schools, and pre-plus program or programs, if any, shall be authorized to use and occupy the facilities."

Third, as a housekeeping matter, OHA notes that section 4 of the bill changes HRS Section 302D-29.5, by eliminating subsection (a), renaming subsequent subsections accordingly, and creating a new subsection (d); however, a reference to the former subsection (b) is retained. This reference to subsection (b) should therefore be replaced with a reference to the renamed subsection (a). Accordingly, OHA recommends amending the language on page 7, line 3, to read as follows:

[~~(b)~~ (a)] to the charter schools. The criteria shall include but not

HB1251 helps to bring parity to start-up charter schools, and help address the longstanding problem of financing their facilities. OHA therefore urges the Committee to **PASS WITH AMENDMENTS** HB1251.

Mahalo nui for the opportunity to testify on this measure.



KAMEHAMEHA SCHOOLS®

TO: Honorable Roy Takumi, Chair
Honorable Takashi Ohno, Vice Chair
Members of the Committee on Education

DATE: February 9, 2015
TIME: 2:00 p.m.
PLACE: Conference Room 309
Hawai'i State Capitol

FROM: Kamehameha Schools

RE: HOUSE BILL 1251, RELATING TO PUBLIC CHARTER SCHOOLS

Chair Takumi, Vice Chair Ohno, and members of the Committee,

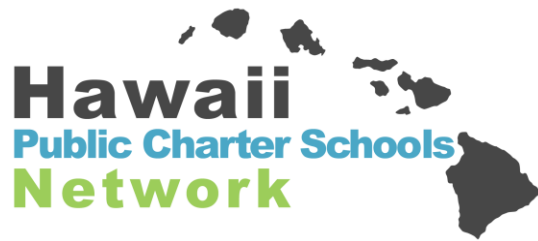
Thank you for this opportunity to testify in support of HB 1251, relating to facilities funding for charter schools.

Kamehameha Schools offers support to the addition of language to HRS 302 that would require state departments, upon the closure of facilities, to consider the facility's suitability for use by public charter schools or early learning pre-plus programs. Notification of such facilities to the state public charter schools commission or executive office on early learning of the availability and suitability of the facility would eliminate a critical hurdle in the launch and development stages of these institutions.

Kamehameha Schools supports promoting the achievement and success of Hawai'i's public school students and, as such, has been a collaborator with the Hawai'i public charter schools for over a decade. Through our work with public charter schools, we hope to significantly impact more children and their families through education. We believe charter schools provide positive choices for education and ultimately enhance both achievement and engagement for students across Hawai'i.

We ask that you help to provide our state's most innovative educators with the strong support and stable foundation that they need continue their positive growth. We believe efforts to improve the public charter school system improve access to education and, ultimately, enhance education for all of Hawai'i's children.

Thank you for the opportunity to testify on this measure.



Hawaii State House of Representatives
Committee on Education

DATE: Monday, February 9, 2015

TIME: 2:00 p.m.

PLACE: Conference Room 309, Hawaii State Capitol

Chair Takumi, Vice Chair Ohno, and members of the Committee,

Re: HB 1251 – RELATING TO PUBLIC CHARTER SCHOOLS

Mahalo for the opportunity to testify **in strong support** of HB 1251, a comprehensive bill that requires state departments, upon the closure of facilities, to consider the facility's suitability for use by public charter schools or early learning pre-plus programs, and to notify the state public charter schools commission or executive office on early learning of the availability and suitability of the facility; requires more detailed annual reporting by the state public charter school commission establishes a charter school facilities funding working group; authorizes the issuance of general obligation bonds and appropriates funds for public charter school facilities design, planning, construction, repair and maintenance.

In 2005 the Legislative Reference Bureau in its report entitled, *On the Level? Policy, Law and the Charter School Movement* stated, "Unlike their public school, conversion school, and school-within-school counterparts, start-up schools must rent or build facilities, or ask the public to donate facilities, or both. The cost of building public schools is usually spread out over twenty years through the issuance of general obligation bonds. Neither the BOE, the HIDOE, nor individual public schools, are responsible for debt service—or the payment of principal and interest on these bonds. These bonds are the responsibility of the State, and are backed by it's the full faith and credit (i.e., taxing power)." Some charter schools have facilities on state land and have access through the normal CIP process - others do not (see attachment).

The language for the charter school facilities working group is a solution oriented idea to address any remaining questions or concerns about charter schools receiving G.O. Bond funding. This bill adds "risk and recourse to the State" language to the criteria that the working group is to consider, an added protection to the State as the director of budget and finance would be a part of the working group.

In order to help provide relief to charter schools that are either not on state land or paying rent for school facilities with the per pupil allocation they receive from the State, HPCSN supports language in

this bill to appropriate funds for the state public charter school commission to allocate to charter schools for facilities related expenses.

Hawaii Public Charter Schools Network (HPCSN) represents 30 of 34 public charter schools in Hawaii and is committed to quality education for all public school students in Hawaii through our support of, and work with, Hawaii's public charter schools.

Thank you for your attention to and consideration of this very important matter to charter schools. Your support of Hawaii's public students is greatly appreciated.

Mahalo Nui Loa,

A handwritten signature in black ink, appearing to read "Lynn Finnegan", with a long horizontal stroke extending to the right.

Lynn Finnegan
Executive Director

Attachment

Charter Schools Facilities Bills

			GO Bond	General Funds
On state land	Lease	Kawaikini, Kekaha+, Kanuikapono, Halau Ku Mana, ULS, Hakipuu, Ka Waihona,	P	A
	USDA loan	Kamakau, WHEA+, Kanu o ka Aina, Volcano ~+	P	A
	Conversions	Kualapuu, Lanikai^, Waialae^, Kamaile, Waimea Middle^, Lapahoehoe	P	A
Not on state land	Lease	Kihei, KANAKA, MBTA, HTA, Voyager, Halau Lokahi, Connections+, Na Wai Ola, Kua o ka La , HAAS, SEEQS, Malama Honua		P
	USDA loan	Kona Pacific, Innovations.		P
Facilities are on both on state land and not on state land		Nawahi	A	P
Checking status		Ka Umeke, Laahana		A

Note: Leases could be held by non-profit, school enters lease with non-profit

[Blue](#) = Checking/verifying with schools

P = Priority

A = Applies

+ Received GIA

^ Received CIP and/or upgrades through the DOE system

~ USDA in process



95-954 Makakilo Dr. #71 Kapolei, HI 96707 Email: Rainbowfamily808@gmail.com Phone: 808-779-9078 Fax: 808672-6347

February 8, 2015

House Education Committee

RE: HB 1251 Charter School take over of Public Schools IN STRONG OPPOSITION

Aloha Chair, Vice Chair and Members,

As President of Rainbow Family 808, a group of straight, LGBT families focused on peace and justice through education, I strongly OPPOSE SB 49 on behalf of all our families and the education of our students.

As a Social Worker, I have serious questions why would the State of Hawaii want to use State funds for Charter Schools. It's interesting that this bill refers to Charter Schools as Public Charter Schools. When did DOE take over the curriculum, policies and procedures of the Private Schools known as "Public Charter Schools." If parents and churches want their own schools they can always use the tax-exempt status of the Non-Profit churches to do so. Call a Private School a private school.

HB 1251 again gives a 'sweetheart deal' for churches that operate Charter Schools. There is a name for schools operated by churches: Parochial Schools. This bill reallocates funds for the discount that forms a barrier to our Public School budget. Period.

HB 1251 falsely requires state funds to "Appropriates funds for public charter schools. Authorizes the issuance of general obligation bonds and appropriates funds for public charter school facilities design, planning, construction, repair and maintenance. **There is no evidence that Private Charter Schools have any background in the fundamentals of Early Childhood Education. Early Childhood Education is not an experiment. Hawaii needs to put the welfare of its students first and not the benefit of Private Charter Schools.**

Please DO NOT PASS HB 1251 in order to protect our Public School Education. It's time that we use our tax dollars for PUBLIC SCHOOLS without funneling tax dollars elsewhere.

Mahalo nui loa

Carolyn Martinez Golojuch, MSW - President